# Fast Facts about the California Economy

Compiled by: Assembly Committee on Jobs, Economic Development, and the Economy Juan Arambula, Chair (January 2007)

California is one of the ten largest economies in the world with a gross state product of over \$1.6 trillion. <sup>i</sup>

## California Economy

- In 2005, California's total gross state product was \$1.62 trillion, up from \$1.52 trillion in 2004, as compared to the United States with \$12.41 trillion, up from \$11.66 trillion in 2004. <sup>ii</sup>
- California ranks 4<sup>th</sup> in the Nation as one of the most expensive states in which to do business. iii
- 7 of the 10 most expensive metro areas in which to do business are located in California. iv
- California ranks as the 1<sup>st</sup> state where people would like to live apart from their own state. v
- California is the largest producer and exporter of agriculture in the nation. vi

#### California Budget

• The Budget proposed by the governor on January 10, 2007, projected revenue of \$101.3 billion for the 2007-08 fiscal year. This is a projected increase of 7.26% over last year's revenues. Major changes in General Fund spending proposed include a: 47.5% decrease in programs under the Business, Transportation and Housing Agency; 33% increase in areas of General Government; 30.8% decrease in the area of Resources and Environmental Protection; and, 12.6% increase in Labor and Workforce Development.<sup>vii</sup>

### **Energy Market**

- California produces about 15% of the natural gas it uses, 37.2% of the petroleum and 78.3% of the electricity. The remaining energy is imported and consists of electricity and natural gas purchases from Canada, Pacific Northwest, Rocky Mountain states and the Southwest; and crude oil imported from Alaska and foreign sources. viii
- Since the beginning of 2005, the price of crude oil has jumped more than \$29 dollars a barrel. ix
- This year's gas price increases are blamed on increasing demand from burgeoning markets in China, India and the U.S., coupled with fear that instability in Iran, Nigeria, Venezuela and other oil-producing regions could once again limit supply. These crude oil price increases raise the price of gasoline and diesel not only in California but across the nation.

#### **Real Estate**

- California continues to experience very high rates of population growth and a further tightening of its housing markets. As of July 1, 2006, California's population was over 37 million, increasing by over 462,000 people in 2005. xi
- Housing production has not kept pace with the State's housing needs, particularly in the coastal metropolitan areas. While the average annual need is projected at approximately 220,000 housing units, construction has lagged substantively below the need. xii
- As of the third quarter of 2006, only 24% of first-time buyers in California were able to afford a median-priced home, compared to 28% for the same period in 2005. xiii

• From December 2005 through December 2006, sales of existing detached homes fell 15.3%. The median price for detached homes rose 3.7% during this time. xiv

#### **Iob Creation**

- California nonfarm businesses added 170,300 jobs from December 2005, to December 2006, an
  increase of 1.1%. Nationwide, nonfarm businesses added 1.84 million jobs over the last year, an
  increase of 1.4%. xv
- The professional and business services sector saw the largest gains in the last year, with an increase of 45,000 jobs within the sector, representing an increase of 2.1% from the previous year. xvi
- From December 2005 through December 2006, nonfarm payroll jobs rose in 9 of the 11 major industry sectors:
  - 45,000 in Professional and Business Services;
  - 39,100 in Government;
  - 33,400 in Leisure and Hospitality;
  - 33,300 in Educational and Health Services;
- 11,400 in Trade, Transportation and Utilities;
- 10,100 in Financial Activities;
- 7,600 in Information;
- 6,400 in Other Services; and,
- 1,200 in Natural Resources and Mining. \*vii
- Construction and manufacturing and were the only sectors to lose jobs over the last year, with losses totaling 15,900 and 1,300 respectively. \*\*xviii\*

## **Insourcing of Jobs**

- U.S. subsidiaries of foreign companies in California employ 547,000 California workers an increase of 3% over five years. xix
- In comparison to other states, California has proven to be an attractive location for international employers, ranking 1st in the United States in the number of employees supported by U.S. subsidiaries. At the national level, U.S. subsidiaries employ 5.1 million Americans and support an annual payroll of \$325 billion. \*\*

#### **Unemployment (December 2006)**

- Statewide: 4.6% (Down from 4.8% in 2005);
- Alameda County: 4.0% (Down from 4.2% in 2005);
- Contra Costa: 3.9% (Down from 4.0% in 2005);
- Fresno County: 8.3% (Unchanged from 2005);
- Imperial County: 14.5% (Up from 13.2% in 2005);

- Los Angeles County: 4.2% (Down from 5.0% in 2005);
- Sacramento County: 4.4% (Up from 4.1 % in 2005);
- San Bernardino: 4.2% (Unchanged from 2005);
- San Joaquin County: 7.3% (Up from 7.0% in 2005); and,
- Santa Clara County: 4.2% (Down from 4.4% in 2005). xxi

# **Trade Import/Export**

- International–related commerce accounts for approximately one-quarter of California's economy. xxii
- California's top three trading partners are Mexico, Japan, and Canada. xxiii

- Computers and electronic products are California's top export, accounting for 36% of all the state's exports. \*\*xiv\*
- California leads the nation in export-related jobs, which account for an estimated 8.6% of California's total private sector employment. Nearly one-fifth of all manufacturing workers in California depend on exports for their jobs xxx
- In 2005, California exports increased to over \$116 billion, up from \$110 billion the previous year. Additionally, California maintained its position as a top exporting state. Exports from California accounted for more than 13% of total U.S. exports in 2005. \*\*xvi\*

# **Foreign Direct Investment**

- California receives more foreign direct investment than any other U.S. state. The more than \$100 billion invested in California provides 550,000 4% of all jobs in the state. \*\*xv\*ii\*
- As of 2003, 628,600 people worked in foreign-owned firms in California, more than in any other state. \*\*xviii\*

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- iv Milken Institute, State of the State Conference 2006, October 30, 2006
- <sup>v</sup> Milken Institute, State of the State Conference 2006, October 30, 2006
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- vii California Department of Finance, "Proposed Budget Summary," January 10, 2007 www.dof.ca.gov/
- viii California Energy Commission, California's Major Sources of Energy www.energy.ca.gov
- ix California Energy Commission, Questions and Answers: California Gasoline Price Increases www.energy.ca.gov
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- xi California Department of Finance, "California County Population Estimates and Components of Change by Year, July 1, 2000-2006," December 2006, www.dof.ca.gov
- xii Department of Housing and Community Development, California's Deepening Housing Crisis, December 12, 2006, www.hcd.ca.gov
- xiii Department of Housing and Community Development, California's Deepening Housing Crisis, December 12, 2006, www.hcd.ca.gov
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- xv California Employment Development Department, "California Labor Market Review, December 2006" www.labormarketinfo.edd.ca.gov
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